



# **CITY OF SANTA BARBARA**

## **COUNCIL AGENDA REPORT**

**AGENDA DATE:** June 28, 2011

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Finance Department

**SUBJECT:** Award Of Independent Audit Contract

### **RECOMMENDATION:**

That Council approve a three-year professional services agreement with Lance, Soll & Lunghard, LLP, Certified Public Accountants (LSL), to perform independent audits of the City of Santa Barbara and the City of Santa Barbara Redevelopment Agency for the fiscal years ending June 30, 2011 through 2013 in a total three-year amount not to exceed \$177,480.

### **DISCUSSION:**

State law and the City Charter require that an independent audit be conducted annually by a Certified Public Accountant. The City's existing three-year contract with Caporicci & Larson, CPA's expired with the completion of the audit for the fiscal year ended June 30, 2010. Accordingly, over the last several months, Finance Department staff solicited proposals from nine qualified audit firms in California. Three firms responded; however, just prior to interviewing the firms, one dropped out due to other commitments. The two firms that underwent further consideration were Brown Armstrong, CPA's and LSL.

Both firms are highly qualified and well suited to conduct the audits of the City in accordance with governmental auditing standards. Brown Armstrong served as the City's auditors for Fiscal Years 2003 through 2007. LSL was one of three firms on a final list of considered when the City solicited proposals for fiscal years 2008 through 2010. Although LSL was not awarded the contract three years ago because of price, they were and are considered a top firm in the State.

In the end, the decision to award the contract to LSL came down to price. LSL's total proposed fees for the three years of \$177,480 were \$28,020 less than Brown Armstrong's total proposed fees of \$205,500. Since both firms are highly qualified to conduct the City's audit, staff could not ignore the price differential, particularly during these difficult financial times. The total fees proposed by LSL for the three years are shown below.

<b>Fiscal Year Ended June 30</b>	<b>Amount</b>
2011	\$ 59,160
2012	59,160
2013	59,160
Total	<u>\$ 177,480</u>

The scope of the audit includes the following elements:

1. A financial audit of the City's financial statements for the fiscal years ending June 30, 2011 through June 30, 2013 for the following entities:
  - City of Santa Barbara
  - Redevelopment Agency of the City of Santa Barbara
  - Santa Barbara Public Facilities Corporation
2. A financial and compliance audit of all federal grants received by the City.
3. A financial audit of the California Law Enforcement Telecommunications Systems (CLETS)
4. A compliance audit of the Passenger Facilities Charges
5. A review of the City's calculation of the Appropriation (GANN) Limit as required by Article XIII B of the California Constitution and Proposition 111.
6. A review and report on the City's internal control systems and procedures.

### **Finance Committee Review and Recommendation**

On Tuesday, June 21, the Finance Committee heard a report from staff on this item and unanimously recommended that Council approve the contract with LSL.

### **BUDGETARY AND FINANCIAL IMPACT:**

The Fiscal Year 2012 Adopted Budget includes sufficient appropriations to cover the costs for the audit for the fiscal year ending June 30, 2011.

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office